

Message Text

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TO USLO PEKING

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FOLLOWING REPEAT PORT MORESBY 00645 ACTION SECSTATE INFO
CANBERRA TAIPEI TOKYO KINSHASA LIMA LONDON LUSAKA PARIS
SANTIAGO HONG KONG DTD 11 JUL

QTE

UNCLAS PORT MORESBY 0645

E.O. 11652: NA

TAGS: EMIN, PP

SUBJ: CHINA MAY BUY PNG COPPER SURPLUS

REF: A. PORT MORESBY 466; B. TOKYO 7995

1. SUMMARY: CHINA IS NEGOTIATING TO BUY THE COPPER SURPLUS, APPROXIMATELY 5,000 TONS OF COPPER CONCENTRATE NOW ON HAND, FROM BOUGAINVILLE COPPER LTD. NEGOTIATIONS BY BCL WERE BEGUN EARLIER THIS YEAR AT THE REQUEST OF THE GPNG, FOLLOWING FOREIGN MINISTER SIR MAORI KIKI'S VISIT IN FEBRUARY. THIS NEWS WAS ANNOUNCED AT THE START OF OFFICIAL VISIT BY CHINESE CHARGE D'AFFAIRES IN AUSTRALIA, C. C. CHU, WHO ARRIVED IN PORT MORESBY JULY 10 FOR NINE DAY TRADE AND GOODWILL TOUR. END SUMMARY.

2. C. C. CHU, CHINESE CHARGE IN AUSTRALIA, ARRIVED IN PORT MORESBY JULY 10 FOR THE FIRST OFFICIAL VISIT BY CHINA TO PAPUA NEW GUINEA. IT FOLLOWS SEVERAL OFFICIAL AND UNOFFICIAL TRIPS
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MADE BY PNG OFFICIALS DURING THE PAST YEAR TO CHINA. CHU SAID

THE VISIT WAS TO PROMOTE FRIENDSHIP AND UNDERSTANDING BETWEEN THE PEOPLES OF CHINA AND PNG. A PNG TRADE OFFICIAL SAID CHU WOULD VISIT MADANG, BOROKA, MT. HAGEN, LAE, HOSKINS, RABAU AND KIETA. HE WILL TOUR THE BCL MINE FACILITY AT PANGUNA WHILE ON BOUGAINVILLE ISLAND.

3. PRESS REPORTS AGAIN STATED THAT CHINA WAS INTERESTED IN "PNG'S COPRA, COFFEE, COCOA, TEA, PEANUTS AND PEANUT OIL." ALTHOUGH PNG IMPORTED ABOUT K2 MILLION (KINA IS EQUAL TO AUSTRALIAN DOLLAR) OVER THE PAST FOUR YEARS, ACCORDING TO PNG TRADE OFFICIAL, EXPORTS TO CHINA HAD BEEN "VIRTUALLY NIL." THUS THERE IS REAL INCENTIVE TO ENCOURAGE CHINESE PURCHASES OF PNG PRODUCTS.

4. PRESENT PNG COPPER PRODUCTION IS RUNNING A ABOUT 190,000 TONS YEARLY WITH LONG TERM COMMITMENTS TO JAPAN, GERMANY AND SPAIN. WHILE TOKYO IS NOW STOCKPILING COPPER RATHER THAN SEEKING ADDITIONAL TRADE OUTLETS (PER TOKYO REFTEL, THE REQUEST BY JAPAN (PORT MORESBY REFTEL) LATE 1974 TO CUT BACK BCL SHIPMENTS BY 15 PERCENT FOR TWO MONTHS LEFT BCL OFFICIALS DEEPLY CONCERNED ABOUT POSSIBLE FUTURE JAPANESE CUTBACK REQUESTS. CONSEQUENTLY, THE OPENING UP OF A "TAKE-UP" OF BCL SURPLUSES COMES AT AN APPROPRIATE TIME. AS NOTED IN PRESS, HOWEVER, PRESENT 5,000 TON SURPLUS IS ONLY ONE THIS YEAR AND IT IS DIFFICULT TO PREDICT THE FUTURE OF THE CHINA MARKET BECAUSE OF ANNUAL FLUCTUATIONS IN SURPLUSES.

5. SALE OF COPPER NOW DEPENDS ON OFFICIAL CHINESE AGREEMENT TO BCL'S TERMS. IF THE TERMS ARE ACCEPTABLE TO THE CHINESE MINERALS AND METALS CORPORATION, THE ORE IS EXPECTED TO BE SOLD AT WORLD MARKET PRICES.

6. DISCUSSIONS ON OTHER TRADE ITEMS WILL DOUBTLESS TAKE PLACE DURING CHU'S VISIT. HE MET JULY 10 WITH MINISTER FOR FINANCE JULIUS CHAN, ATTENDED SMALL OFFICIAL DINNER THAT NIGHT AS GUEST OF HONOR OF FOREIGN MINISTER KIKI AND WILL ATTEND A COCKTAIL PARTY HOSTED BY SECRETARY OF THE DEPT OF FOREIGN RELATIONS AND TRADE, ANTHONY SIAGURU. JULY 11 WILL BE SPENT IN TRADE TALKS BETWEEN THE TWO COUNTRIES. CHU AND PARTY DEPART PORT MORESBY JULY 12 TO TOUR OTHER PNG CENTERS.

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7. ADDITIONAL INFO AND COMMENT WILL BE PROVIDED SEPTTEL WHICH FOLLOWS.

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